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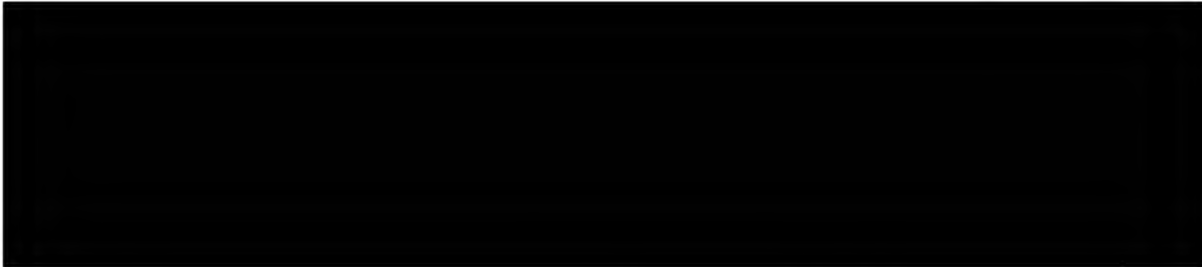
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Weekly Intelligence Summary No. 68

SECTION I. SUMMARY OF TRENDS AND DEVELOPMENTS

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Czechoslovakia is continuing its efforts to obtain air transport equipment and spare parts from Western sources at all costs.
(Item No. 2, B)

Substantial changes have occurred in the routing of Czechoslovak import and export traffic as a result of political considerations, including consequences of the Western counterblockade and the desire of the USSR and Poland to develop Stettin and the Oder River as important gateways to Czechoslovakia. (Item No. 3, B)

An analysis of the 1949 railway plan for the Soviet Zone of Germany is included as an annex to this week's issue.

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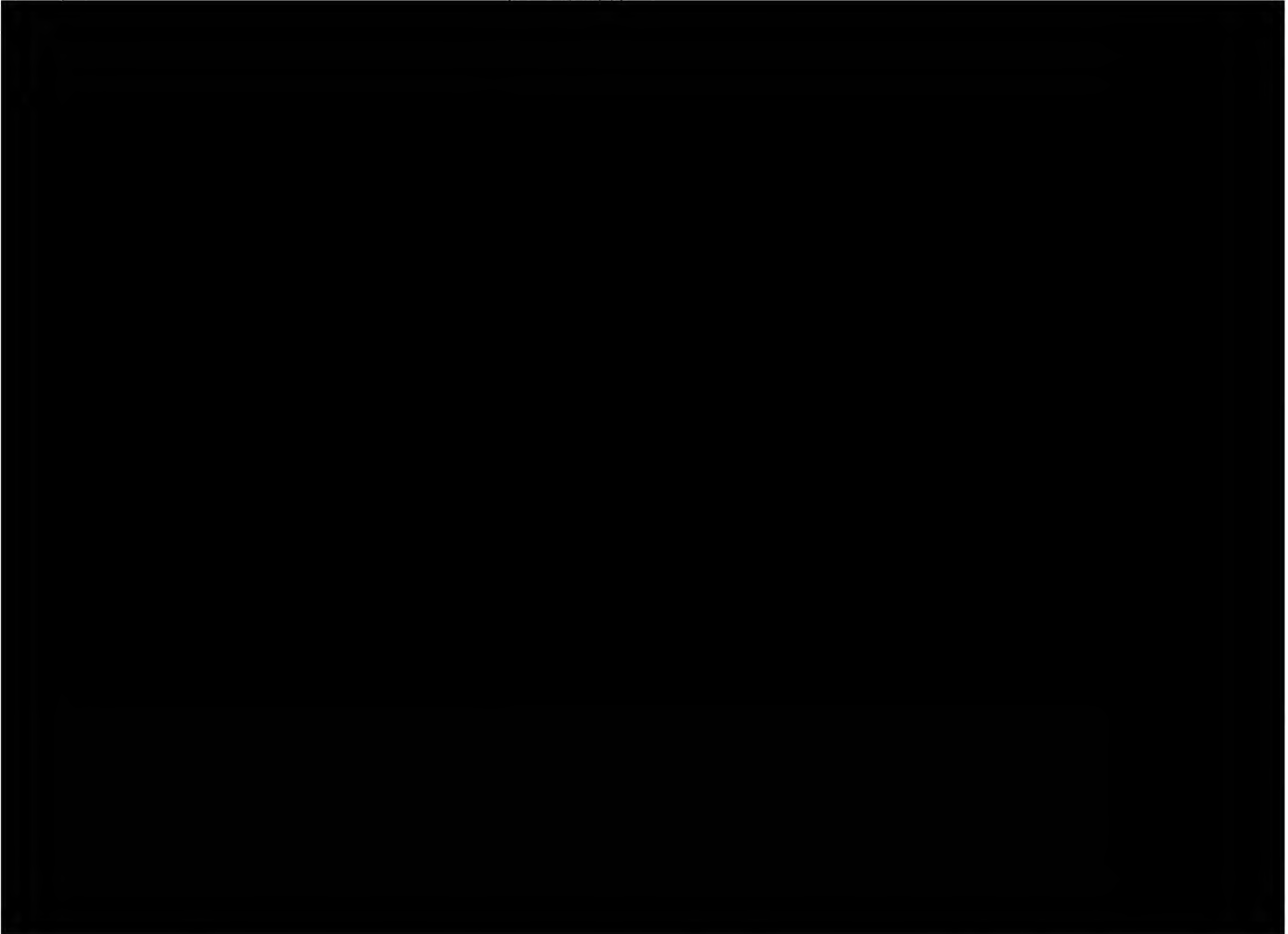
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- 2 -

SECTION II. CURRENT DEVELOPMENTS

CIVIL AVIATION

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2. Czechoslovakia is continuing its efforts to obtain air transport equipment and spare parts from Western sources at all costs. The Paris office of a US export firm recently rejected an order, received from an agent claiming to represent Czechoslovak airlines, for spare parts sufficient for twenty-five aircraft. A Dutch truck loaded with aircraft parts and carrying a false bill of lading has been seized by US occupation zone authorities at the Czechoslovak border. The Czechoslovaks have even shown an interest in purchasing, presumably for salvage, a US C-47 attached to the US Legation in Budapest which was badly damaged in a recent landing at the Budapest airfield. (Secret)

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- 3 -

SURFACE TRANSPORTATION

3. Substantial changes have occurred in the routing of Czechoslovak import and export traffic as a result of political considerations, including consequences of the Western counterblockade and the desire of the USSR and Poland to develop Stettin and the Oder River as important gateways to Czechoslovakia. Although Czechoslovak traffic through Hamburg has sharply declined from 1948 levels, it does not appear that this reduction has been compensated by correspondingly increased activities at Stettin, and no great progress has been made in overcoming the natural obstacles to the development of the Oder route. Meanwhile, Czechoslovak traffic through Trieste far exceeds the volume at Hamburg. (Secret)

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

- 4 -

ANNEX

RAILWAY PLAN FOR 1949 IN THE SOVIET ZONE, GERMANY

Soviet transport policy in Eastern Germany, after four years of occupation, continues to be directed primarily toward a program for the current exploitation of the German transportation system, rather than long-term rehabilitation to its former capabilities. The 1949 Transport Plan, reportedly approved by the Soviet Military Administration (SMA), does not indicate any Soviet intention to undertake the rehabilitation of the German railway system on a scale extensive enough to be of major strategic significance or to reveal any preparation for Soviet military action. The plan, in fact, will probably increase the already severe strain imposed on the Soviet Zone railways in accommodating the combined occupational and civilian transport requirements of the area.

The increased volume of freight traffic contemplated for 1949 under the plan indicates that substantial increases in industrial production over the 1948 level are anticipated for the Soviet Zone. Despite the consequent increase in transport requirements, however, the SMA-approved plan makes substantial reductions in many phases of the railway budget estimated by the German Economic Commission (DEW) to be necessary for the Soviet Zone economy. It appears that the Soviet-controlled railways will be expected to increase their capacity principally through more intensive use of equipment, rather than through extensive improvements in line facilities or substantially increased rolling stock inventories. It is possible, moreover, that the approved improvements will not be fully realized, in view of past Soviet tactics in tacitly approving German requests for restoration projects without actually providing means for the necessary materials to be obtained. On the other hand, lifting of the counterblockade should facilitate the achievement of the 1949 program by making available again sources for many component parts now in short supply in the Soviet Zone, and by generally increasing East-West trade in Germany.

The Soviet Zone program, with respect to railways, includes three sections of particular significance:

- (1) the planned volume of freight traffic;
- (2) approved capital expenditures
 - (a) new rolling stock
 - (b) improvements in the right of way.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

- 5 -

The 1949 freight traffic plan calls for an estimated 22 percent increase over the 1948 performance in railway tonnage hauled. Thus, industrial production levels contemplated for the Soviet Zone during 1949 are expected to result in an estimated 109.5 million tons of freight originating within the Zone and an additional 13 million tons of imported freight to be moved over the Zone's transport network. Of this total, 122.5 million tons, the railways are scheduled to haul an estimated 105.3 million. At the beginning of 1949, however, the Reichsbahn's average serviceable freight car inventory of 58,000 units was estimated by German experts to be capable of moving only 96 million tons per year. This capability will be somewhat increased by the use of rolling stock from outside the Soviet Zone, from branch and plant spur lines, and from new construction. A total operating inventory of about 71,500 units was estimated by German experts as being required to fulfill the 1949 railway freight plan. Another means of increasing the present capacity of the railways would be to make more efficient use of available rolling stock by decreasing the average freight car turn-around time. It is unlikely, however, that this time will be reduced appreciably below the planned average of 4.4 days.

The following table sets forth the SMA-approved capital expenditures planned for the Soviet Zone railway system during 1949, as well as a comparison of these expenditures with similar figures for 1948 and 1936. Funds allocated to the construction of rolling stock and motive power and to improvement of the right of way represent almost half of the approved total budget of 157.3 million marks, and it is in these two categories that the greatest increases over 1948 expenditures have been authorized.

(Table on Page 6)

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SECRET

- 6 -

Approved Capital Expenditures for Soviet Zone Railway System for 1949

	Amount Approved 1949 (Cost in 1,000,000 DM)	Percentage of 1948 Amount	Percentage of 1936 Amount
Manufacture of new rolling stock	50.5	2500	140
Right of way; repair & re-laying of tracks	23.2	141	33
Expansion & repair of locomotive & car plants	19.9	110	600
Repair of railway stations	15.9	150	85
Repair and construction of bridges	15.3	64	500
Repair of railway opera- tional workshops	11.9	110	1000
Repair & installation of signals & safety equipment	10.2	120	182
Electrical installations, administrative bldgs. & misc.	4.1	46	49
Manufacture of tools	3.2	100	32
Construction of living quarters	3.1	335	---
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- 7 -

With respect to rolling stock and motive power, the plan contemplates the construction of about 4,000 freight cars, 150 passenger cars, and a few special purpose cars, the conversion of 100 locomotives to coal-dust burning types and, apparently, the purchase of 10 Danish locomotives. Although the proposed construction of 4,000 freight cars accounts for about 80 percent of all funds allocated to rolling stock and motive power, this is a relatively small number of new cars, in view of the deplorable condition of the present car park. Even if the 4,000 cars are actually constructed, it is probable that they will little more than counterbalance the number of freight cars retired as over-age or irreparable. It is noteworthy, however, that this is the first instance of Soviet approval for the construction of rolling stock intended for use on the German railway system. An additional 20 million marks have been allocated to the expansion and repair of locomotive and car plants.

The future of the locomotive situation, which has been critical, is particularly obscure, due to the fact that there is no indication of a German request for or Soviet approval of funds for new locomotive construction (other than the Danish locomotives mentioned above). Moreover, there are conflicting reports concerning Soviet intentions with respect to locomotives. Unconfirmed reports state that the SMA has approved the early return of 350 locomotives from the locomotive brigades maintained by the USSR. On the other hand, several months ago the SMA directed that 685 locomotives presently in the Zone be labeled as "trophy" locomotives. These would presumably be removed by the Soviets at some future date as war booty. In any case, it is probable that the shortage of locomotives will remain one of the most critical factors affecting the prospects for fulfillment of the SMA transport plan.

Improvements to the right of way proposed by the DWK amounted to over 77 million Deutschmarks. SMA approval, however, was granted for projects amounting to only 23 million marks of this total. Repair and improvement of 97 kilometers of trackage within stations and marshalling yards is believed to have been approved, in addition to the restoration of double-trackage on the following 79 kilometers of line:

<u>Section</u>	<u>Kms.</u>
Jüterbog-Bülzig	24
Wittenberge-Ludwigslust	20
Berlin-Grünau-Königswusterhausen	7
Magdeburg-Buckau-Calbe	15
Dresden-Pirna	13

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- 8 -

Completion of all of the foregoing projects would restore double-trackage on only a small portion of the dismantled sections in the area.

The double-tracking projects which are specifically mentioned in the plan account for less than 60 percent of the total right of way budget, leaving an additional 10.7 million marks of approved expenditures unaccounted for. While at least half of this sum is allocated to "miscellaneous items" of less than 50,000 marks each, which presumably do not cover any important projects, it is possible that some of this capital will be devoted to double-tracking projects which were not specifically identified in the railway budget for security reasons. (It is believed, for example, that short double-tracking projects are also planned on the lines Halle-Eisleben and Senftenberg-Ruhland.) In any event, it is apparent that the program approved by the SMA does not contemplate any extensive rehabilitation during 1949 of the German railways under its control.

Recent unconfirmed reports indicate, however, that a more substantial restoration of double-trackage on certain key lines, in addition to the projects outlined in the SMA-approved transport plan, may be attempted during 1949. It is possible, of course, that some of these additional projects may be included in the balance of almost five million marks approved, but not specifically accounted for, in the plan. These projects, however, like those identified in the SMA program, appear to be relatively isolated improvements and do not assume any pattern of major military significance. Even if the projects were all completed, for instance, there would still be no completely double-tracked East-West line across the Soviet Zone from the Polish border.

Top priority has reportedly been given the restoration of double-track service on the Berlin ring. The same report indicates that the balance of the second track on the Berlin-Erfurt line is to be restored. (A considerable portion of the line was never reduced to single-track status.) This will increase the capacity for rapid movement from the Berlin area into the southwest section of the Soviet Zone. The line west of Erfurt, however, is now single-track and there are no indications that this portion, which extends to the American Zone border, is scheduled for improvement.

In the Dresden region, orders have reportedly been issued to re-lay the second track on the line running southwest from Dresden to Plauen, located near the northeast section of the American Zone. On the other hand, the re-laying of the second track running north from Dresden through Grossenhain and Elsterwerda to Berlin, which has been reported on various occasions, is now understood to be temporarily postponed because of insufficient rail production.

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~~CONFIDENTIAL~~

- 9 -

Re-laying of the second track on the line running southeast out of Dresden into Czechoslovakia (Dresden-Pirna), on the SMA-approved plan for 1949, together with the restoration of second track on the lines out of Dresden outlined above, would provide increased capacity for movements from Czechoslovakia and the East to points in the southwestern sector of the Soviet Zone located only a short distance from the American Zone boundary.

In view of the limited improvement in the Soviet logistical potential which the unconfirmed projects would bring, it will be important to observe closely whether the official transport plan is actually expanded and the additional projects undertaken. Any intention to utilize the Soviet Zone rail system for major military operations, however, would probably be foreshadowed by a redistribution of rolling stock, preparations for certain essential bridge construction, and other indications. (Secret)

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